



# **Behavioral Health Cost Report Training**

# Cost Report Guidelines

- Who is required to submit a cost report?
  - As required by contract, a cost report should be submitted by agencies receiving funding from the Division of Alcohol and Drug Abuse or the Division of Mental Health and should coincide with the provider's fiscal year, unless waived by the Department of Social Services.

# Cost Report Guidelines

- When is the cost report due to the Department of Social Services?
  - The deadline for returning the required annual cost report to the Department is four months after the reporting period. All incomplete or incorrect reports will be returned to the provider for corrections.
  - If your reporting period ends June 30, your cost report is due November 1.

# Cost Report Guidelines

- What is the purpose of the cost report?
  - The purpose of the cost report is to define the cost of each service by service center.
  - To aid in Rate Setting
    - Cost-Based Rates should include all direct and indirect costs related to the provision of the service by the provider.
    - Direct Costs: Those costs attributed to a single cost objective. Salary and material costs within a unit are directly attributable to services.
    - Indirect Costs: Those costs “incurred for a common or joint purpose benefiting more than one cost objective.”
    - The goal of any effective rate setting methodology is to include all allowable costs and allow the public provider to recover the full cost incurred for the provision of the service.

# Cost Report Guidelines

## The Cost Report consists of:

- Schedule A – Expenses
- Schedule B – Revenues
- Schedule C – Census Data
- Schedule D – FTE Salary Summary
- Notes to Schedule A
- Notes to Schedule B
- Attachment 1-Personnel
  - (1010, 1020, 1040).

1800 MISCELLANEOUS:						
1810 Clothing	0					
1860 Bad Debt	0					
1890 Other	0					
TOTAL MISCELLANEOUS	0	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0	0
Admin. and Support Allocation		N/A	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0	0	0

▶▶	Schedule A	Schedule B	Schedule C	Notes to Schedule A	Notes to Schedule B	1010	1020	1040
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# Cost Report Guidelines

- Schedule A (Expenses)
  - Total Cost Column
    - Represents the total expenses from the operating statement of the organization for the reporting period. The total of the expenses must reconcile to the independently audited financial statements. This column is calculated automatically.

# Cost Report Guidelines

- Schedule A (Expenses)
  - Adjustments Column
    - This column represents additions or deletions from the total column for costs that do not represent a cost to a service center or are considered unallowable. Provide an explanation of any amounts reported in this column on the Notes to Schedule A.
      - See examples next slide

# Cost Report Guidelines

- Schedule A (Expenses)
  - Adjustments Column (cont.)
    - Examples of Non-Allowable Costs
      - Advertising, public relations, and clothing expenses as identified by Provider Reimbursement Manual Part II provided by CMS (formerly HCFA-15)
      - Costs which have not been incurred by the agency, including the value of donated goods and services
      - Depreciation costs for idle facilities except when such facilities are necessary to meet caseload fluctuations
      - Fines and penalties resulting from failure to comply with Federal, State and local laws
      - Telephone costs attributed to personal usage by employees and consumers
      - Any expenses incurred by the provider for the sale of goods or services (example: production)
      - Entertainment costs for activities including staff only (i.e. holiday parties not involving consumers, flowers or other gifts for staff)
      - All dues and costs associated with individual or agency memberships to fraternal organizations, country clubs, etc.
      - All costs associated with payment to registered lobbyists



# Cost Report Guidelines

- Schedule A (Expenses)
  - Admin and Support Column
    - This column represents expenditures for the overall direction of the organization, general record keeping, business management, budgeting, general board activities, and related purposes. Direct supervision of program services and of fund raising should be charged to those functions. Overall direction will usually include the salaries and expenses of the chief officer of the organization and his/her staff. If they spend a portion of their time directly supervising fund-raising or program services and activities, such salaries and expenses should be prorated among those functions.
  - Fund Raising Column
    - Expenditures normally charged to this function include costs of transmitting appeals to the public (including postage, addressing, maintenance of mailing lists and other fund drive records) and the salaries of staff members connected with fund raising for the agency, capital campaigns, foundations, etc. An appropriate portion of the salaries of regular staff members who devote time to record keeping for fund raising should be allocated to fund raising expenses.

# Cost Report Guidelines

- Schedule A (Expenses)
  - Chart of Accounts
    - Personnel Services (1000)
    - Personnel Benefits and Taxes (1100)
    - Professional Fees & Contractual Services (1200)
    - Travel/Transportation (1300)
    - Supplies (1400)
    - Occupancy (1500)
    - Equipment (1600)
    - Depreciation (1700)
    - Miscellaneous (1800)

# Cost Report Guidelines

- Schedule A (Expenses)
  - Expenses shall be directly assigned to the service/program column that incurred them.

Provider:  
Reporting Period:

Select the applicable service from the drop-down box in Row 5 in the appropriate section

**SCHEDULE A - EXPENSES**

	Division of Alcohol and Drug Abuse (DACA)									
Account Number and Title										
000 PERSONNEL SERVICES:										
010 Administrative										
020 Professional/Program Staff										
040 Support Staff										
050 Client Wages										
060 Temporary Staff										
070 PERSONNEL SERVICES	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
100 PERSONNEL BENEFITS AND TAXES:										
110 Retirement Plans										
120 Insurance Benefits										
130 Other Benefits										
140 FICA Taxes										
150 Unemployment Insurance										
160 Worker's Compensation Insurance										

Early Intervention (Int.)  
Group/ICP  
Recovery Support  
Day Treatment  
Residential Intensive I  
Clinically Managed Low  
Intensive METs Tx Pro  
Reflex

- Each level of service is selected from the drop –down list under the applicable Division

# Cost Report Guidelines

- Schedule A (Expenses)
  - The cost report must be completed on an accrual basis of accounting.
  - Information to complete the cost report may come from various sources depending on each agency's method of tracking costs. Personnel, payroll, provider expense records, and activity logs are examples of tools that may be used to compile information to complete the cost report.

# Cost Report Guidelines

- Special Notes for Schedule A
  - Funded Depreciation Accounts
    - A funded depreciation account can be established for the replacement of capital assets and can be funded at a rate not greater than current annual depreciation.
    - The establishment of the fund and the procedures governing the fund must be specifically approved by the agency's board of directors.
    - The approved procedures must stipulate the rate by which the account will be funded and shall delineate the items to be purchased with the fund.
    - Agencies must use the account for the purchase of capital items as defined by their internal procedures. Transfers from the funded depreciation reserve account will be allowed for necessary cash flow purposes as long as the transfer does not cause the agency to exceed operating reserve standards set forth in the Cost Report Preparation Guidelines. (See Reserve Funds policy, page 8).

# Cost Report Guidelines

- Special Notes for Schedule A
  - Funded Depreciation Accounts *cont.*
    - Agencies with funded depreciation accounts shall use the account heading “Designated for Capital Asset Replacement” and identify the composition of any Funded Depreciation account in their annual audited financial statement.
    - See page 5 of the guidelines for additional details

# Cost Report Guidelines

- Special Notes for Schedule A

- Reserve Fund Policy

- Reserve funds shall not exceed 90 days total operating expenses. Please refer to the memorandum sent to all providers September 6, 2005 for additional information.
    - Formula for calculating reserves
      - $\text{Reserves} = (\text{Unrestricted Funds} - \text{Funded Depreciation and Endowments})$
    - If reserves exceed 90 days total operating expenses, the provider must submit a plan to the Department for reinvesting the excess into the program. The Department will notify the provider of approval or disapproval within 30 days.

# Cost Report Guidelines

- Schedule B (Revenues)
  - Total Column
    - This column represents the total revenue for the reporting period from the operating statement of the organization. The total revenues must reconcile to the independently audited financial statements. This column is calculated automatically
  - Adjustments Column
    - This column represents additions or deletions from the total column.
      - Provide an explanation of any amounts reported in this column on the Notes to Schedule B.
  - Administration and Support
    - Revenue from administration and support services.
  - Fund Raising
    - Revenue from fund raising activities.



# Cost Report Guidelines

- Schedule B (Revenues)
  - Chart of Accounts
    - 2000 Fees
    - 2100 Grants
    - 2200 Contributions
    - 2300 Other Income

# Cost Report Guidelines

- Schedule B (Revenues)
  - Revenues shall be directly assigned to the benefiting service/program column

SCHEDULE B - REVENUES						
		DADA		DMH	Other DSS	Non DSS
		0	0	Program Services	Program Services	Program Services
Account Number and Title						
2000 FEES:						
2020 Title XIX						
2025 Title VII, Ch 1 Part B						
2030 Title VII, Ch 1 Part C						
2045 SD Department of Education						
2050 Dept of Corrections						
2055 Client Pay (Fee for Service )						
2060 Insurance						

# Cost Report Guidelines

- Schedule B (Revenues)
  - The provider shall have an annual entity-wide independent audit. To ensure the consistency and validity of the cost report data, we require Schedules A and B to be included in the paper audit report and to be tested by the independent auditor.
    - This requirement became effective SFY04.

# Cost Report Guidelines

- Schedule C (Census)
  - Providers of Service for the Department of Social Services are required to complete and submit Schedule C. Census information must be provided by program and includes a count of all days when a client is physically present at the facility, leave days based on the distinction of being paid leave days or unpaid leave days and a column for any other types of days a facility may need to report. The facility information and program names will carry to the sheet from information provided on Schedule A.
  - Providers billing quarter hour units will report the number of units per month. The “paid leave”, “unpaid leave” and “other” columns will not be applicable to providers billing quarter hour units and should be left blank.
  - Providers should indicate which method is used when reporting. Columns will be automatically totaled.

# Cost Report Guidelines

- SCHEDULE D – (FTE SALARY SUMMARY)
  - All providers shall complete the FTE Salary Summary entering the total salary amount in the Salary column and the number of FTEs in the FTE column for each position. Columns will be automatically totaled.

# Cost Report Guidelines

- **NOTES TO SCHEDULE A**
  - Use this attachment to describe line item expenses.
    - Adjustment column items
    - Reconciliation between Audited Financial Statement and Schedule A
    - Breakdown of expenses by type and amount for those accounts exceeding the percentage limit
    - Any other notes you may want to provide
- **NOTES TO SCHEDULE B**
  - Use this attachment to describe line item revenues.
    - Adjustment column items
    - Reconciliation between Audited Financial Statement and Schedule B
    - Breakdown of revenue by type and amount for other accounts (2090 and 2390)
    - Any other notes you may want to provide

# Cost Report Guidelines

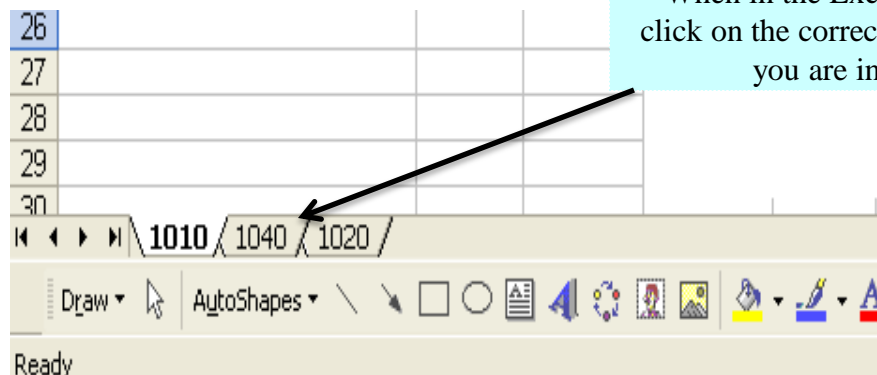
- Attachment 1

- Contains hours and wages for all personnel whose costs were reported in accounts 1010, 1020 and 1040 on Schedule A
  - Information Reported
    - Staff Credentials
    - Position Numbers
    - Position Titles
    - Staff Names
    - Start/End Dates
    - Total Hours Paid
    - Salary
    - Hourly/Salary Wage
    - Bonus
    - # of Hours Worked in a Service Center
    - Total Hours Worked

# Cost Report Guidelines

- Attachment 1

- If you are a combination provider, all of the service centers have been included in one spreadsheet. Therefore, if you are a MH and ADA provider, you will complete one Attachment 1 for the whole agency.
  - Please make sure to fill staff in the proper tabs of 1010, 1020, 1040. Do not include all staff in one tab.





# Cost Report Guidelines

- Attachment 1
  - The total hours paid should match the total hours. If they do not match, check the service centers to make sure the hour information is entered correctly.

If a combination provider, please break out the administration time spent in each area.													
Total Hours Paid	Salary	Salaried per Hr.	Hourly	Bonus	Total wages paid	MH Admin.	ADA Admin.	Fund Raising	Early, Int	Group, IOP	Day Treatment	Community Based	Total Hours
						# of Hrs.		# of Hrs.	# of Hrs.	# of Hrs.	# of Hrs.	# of Hrs.	# of Hrs.
2080	28000	\$13.46	\$0.00	\$500	\$28,000	1000	1000	80					2080
2080	27500	\$13.22	\$0.00		\$27,500	2000	80						2080
865	30000	\$14.45	\$0.00	\$250	\$12,500	800			65				865
1038	25000	\$12.04	\$0.00		\$12,498	1000		30		8			1038
1560		\$0.00	\$10.50		\$16,380					1560			1560
520		\$0.00	\$7.50		\$3,900					520			520
2080		\$0.00	\$11.15	\$400	\$23,192				1040	1040			2080
10223				\$1,150	\$123,970	4800	1080	110	1105	3128	0	0	10223
					\$125,120								
These two numbers should equal each other.													

# Cost Report Guidelines

- Attachment 1
  - If the administrative staff manage/direct the overall or specific programs of the agency but spend more than 10% of their time doing direct service they should be included in the 1020 tab (Professional/Program Staff) rather than the 1010 tab (Administrative). Their pay should also be included in the 1020 account on Schedule A.

# Cost Report Guidelines

- Attachment 1
  - In the total hours paid, please put the number of hours that the employee was paid during that time period and not the number of hours they could have worked.

Provider: <b>ABC Provider</b>										
Reporting Period: <b>7/1/04 to 6/30/05</b>										
ATTACHMENT 1 - STAFF (Account 10?0)										
Staff Credentials	Position Number	Position Title	Staff Name (Last, First, MI)	Start Date	End Date	# of Leavers	Total Hours Paid	Salary	Salaried per Hr.	Hourly
BBA	123	Counselor	Doe, Jane	7/1/04	6/30/05	0	2080	28000	\$13.46	\$0.00
BS	124	Care Team	Example, Jo	7/1/04	6/30/05	0	2080	27500	\$13.22	\$0.00
BS	125	Counselor	Smith, John	7/1/04	11/30/04	1	865	30000	\$14.45	\$0.00
BS	125	Counselor	Jordan, Michael	1/3/05	6/30/05	0	1038	25000	\$12.04	\$0.00
BA	126	Aftercare	Dear, Abby	7/1/04	6/30/05	0	1560		\$0.00	\$10.50
BS	127	Counselor	Brown, Charlie	7/1/04	6/30/05	0	2080		\$0.00	\$11.15
						1	9703			

Only include the total number of hours worked during the reporting year.

# Cost Report Guidelines

- Attachment 1

Portion of Attachment 1							
Salary	Salaried per Hr.	Hourly	Bonus	Total wages paid	Early, Int	Group, IOP	Day Treatment
					# of Hrs.	# of Hrs.	# of Hrs.
28000	\$13.46	\$0.00	\$500	\$28,000		1040	1040
27500	\$13.22	\$0.00		\$27,500			
30000	\$14.45	\$0.00	\$250	\$12,500	65		15
25000	\$12.04	\$0.00		\$12,498		8	
	\$0.00	\$10.50		\$16,380		1560	
	\$0.00	\$7.50		\$3,900		520	
	\$0.00	\$11.15	\$400	\$23,192	1040	1040	
			\$1,150	\$123,970	1105	4168	1055
				\$125,120			

Portion of Schedule A		Support Services			
		Total	Adjustments	Group, IOP	Day Treatment
Account Number and Title					
1000 PERSONNEL SERVICES:					
1010 Administrative	81,248			56,248	
1020 Professional/Program Staff	100,165			100,165	
1040 Support Staff	42,497			42,497	
1050 Client Wages	0				
1060 Temporary Staff	14,000				
1090 Payroll Accruals	0				
TOTAL PERSONNEL SERVICES	237,910	0		198,910	0
1100 PERSONNEL BENEFITS AND TAXES:					
1110 Retirement Plans	0				
1120 Insurance Benefits	97,157			97,157	
1130 Other Benefits	0				
1140 FICA Taxes	5,000			5,000	
1150 Unemployment Insurance	1,000			1,000	
1160 Worker's Comp Insurance	700			700	
1170 Prof. Liability Insurance	0				
1190 Other	0				
TOTAL PERSONNEL BENEFITS AND TAXES	103,857	0		103,857	0

- Double check to make sure that Attachment 1 matches Schedule A. In this example, there are hours reported in Attachment 1 for Day Treatment but there are no personnel costs reported in Schedule A. If hours are reported in Attachment 1 there should be costs reported in Schedule A. The same should be true if there are costs reported in Schedule A, Attachment 1 should reflect hours spent in that service center.

# Cost Report Guidelines

## Attachment 1

Portion of Schedule A

Account Number and Title	Support Services			
	Total	Adjustments	Admin. and Support	Fund Raising
1000 PERSONNEL SERVICES:				
1010 Administrative	125,120		56,248	25,000
1020 Professional/Program Staff	100,165		100,165	
1040 Support Staff	42,497		42,497	
1050 Client Wages	0			
1060 Temporary Staff	14,000			
1090 Payroll Accruals	0			
TOTAL PERSONNEL SERVICES	281,782	0	198,910	25,000
1100 PERSONNEL BENEFITS AND TAXES:				
1110 Retirement Plans	0			
1120 Insurance Benefits	101,280		97,157	4,123
1130 Other Benefits	0			
1140 FICA Taxes	7,000		5,000	2,000
1150 Unemployment Insurance	1,500		1,000	500
1160 Worker's Comp. Insurance	800		700	100
1170 Prof. Liability Insurance	0			
1190 Other	0			
TOTAL PERSONNEL BENEFITS AND TAXES	110,580	0	103,857	6,723

Salaried per Hr.	Hourly	Bonus	Total wages paid	MH Admin.	ADA Admin.	Fund Raising	Earl
				# of Hrs.		# of Hrs.	# of
\$13.46	\$0.00	\$500	\$28,000	1000	1000	80	
\$13.22	\$0.00		\$27,500	2000	80		
\$14.45	\$0.00	\$250	\$12,500	800			
\$12.04	\$0.00		\$12,498	1000		30	
\$0.00	\$10.50		\$16,380				
\$0.00	\$7.50		\$3,900				
\$0.00	\$11.15	\$400	\$23,192				
		\$1,150	\$123,970	4800		110	
			\$125,120				

- Bonuses should not be included in the salary per hour or hourly wage.
- Do not include the bonus amount in the total wages paid column.
- The bonus and total wages paid added together should match what is reported on Schedule A for the appropriate account (1010, 1020, 1040).

# Cost Report Due Date

- Submit Cost Reports to Greg Evans at [greg.evans@state.sd.us](mailto:greg.evans@state.sd.us).
- The cost report templates are updated annually and posted on the Provider Reimbursements and Audits webpage on the Department of Social Services website. The site can be found at <http://dss.sd.gov/financeoffice/reimbursementaudits/index.asp>. You can also contact the Office of Provider Reimbursement and Audits at the Department of Social Services at (605) 773-3643.

# QUESTIONS?

If you have any questions or concerns, please feel free to contact us.